

**RESPONSIVE TESTIMONY OF  
ED BURGESS  
ON BEHALF OF CAROLINAS CLEAN ENERGY BUSINESS ASSOCIATION  
DOCKET NO. 2021-88-E**

**Q. Did you review the section of LEI's report pertaining to the VIC?**

A. Yes.

**Q. What were your general observations about LEI's assessment?**

A. LEI did not conduct a thorough, independent evaluation of the VIC component of DESC's avoided cost calculations. Instead, LEI's review of the VIC primarily consists of contrasting statements from DESC witnesses and CCEBA's witness to highlight areas where the parties' experts drew different conclusions or had different opinions. After doing so, LEI simply concluded that the "extent of contrary evidence introduced regarding the Guidehouse VIC analysis supports the need for a truly independent study."<sup>1</sup> Additionally, LEI did not appear to conduct any original analysis to assess the credibility of the underlying calculations or conclusions of record in this proceeding. Rather than generate an independent view or analysis, LEI's report recommends that, because various sides put forward divergent claims, the Commission should avoid making any decision in this docket on a fixed VIC and instead defer to a future independent expert analysis informed by a stakeholder process authorized by S.C. Code § 58-37-60.

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<sup>1</sup> LEI Report at P.54.

1 **Q. Why do you think LEI did not conduct a thorough analysis of the VIC?**

2 A. It appears that LEI viewed such a detailed analysis of the VIC to be outside of its scope of work.  
3 For instance, in its responses to the first set of interrogatories from CCEBA, (October 4., 2021)  
4 [attached as **Exhibit EB-1**] LEI stated the following: “LEI’s mandate is to review avoided cost  
5 methodologies and calculations; the VIC is not an avoided cost, but a charge that is applicable to  
6 a subset of qualifying facilities.” Thus, it appears that LEI believes that the VIC charge was beyond  
7 its scope of review even though the VIC is an integral component of DESC’s avoided cost  
8 methodology and calculation and is applied directly as a deduction to the avoided cost rates paid  
9 to QF facilities. Act 62 requires that the Commission review each utility’s avoided cost  
10 “methodology” to ensure that it “fairly accounts” for costs “avoided . . . or incurred” by small  
11 power producers, including “but not limited to energy, capacity, and ancillary services.”<sup>2</sup> The  
12 statute authorizes the Commission to retain experts like LEI to evaluate “avoided cost rates,  
13 methodologies, terms, calculations, and conditions” and requires LEI “to submit a report that  
14 includes the third party’s independently derived conclusions as to [its] opinion of each utility’s  
15 calculation of avoided costs,” not limited to rates.<sup>3</sup> It’s not clear to me that LEI’s report has met  
16 this requirement with respect to the VIC.

17 **Q. Are you concerned that deferral to a future independent expert will disadvantage QF**  
18 **developers in the meantime?**

19 A. Yes. The future independent VIC analysis that LEI calls for could take nine months to a year.  
20 In the meantime, LEI calls for either a) a continuation of the current \$0.96/MWh interim VIC  
21 subject to future adjustments, or b) acceptance of DESC’s proposed \$1.80/MWh VIC charge

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<sup>2</sup> S.C. Code § 58-41-20(B)(3)

<sup>3</sup> S.C. Code § 58-41-20(I)

1 without any thorough scrutiny or modifications. This means that QF developers are simply held  
2 hostage to either a) continued commercial uncertainty that results from possible future adjustments  
3 to interim VIC or b) the unsupported higher VIC charge that DESC proposed.

4 **Q. Did LEI conduct any quantitative analysis to assess whether Dominion's calculations were**  
5 **reliable?**

6 A. No. In response to Interrogatory CCEBA-2, asking if LEI had reviewed all of the core  
7 workpapers supposedly supporting the Guidehouse Study, LEI stated that its "review of  
8 workpapers provided in response to CCEBA Interrogatories was sufficient to reach the conclusion  
9 that an independent study is necessary." LEI appears to generally agree with ORS Witness Horii  
10 who testified that DESC had not justified the operating reserve levels underpinning its VIC charge  
11 of \$1.80/MWh.<sup>4</sup> Yet LEI nonetheless recommends this level of charge be adopted if the  
12 Commission were to fix the VIC in this proceeding.

13 **Q. Were there other factors LEI pointed to in support of this?**

14 A. Yes. LEI noted that a \$1.80/MWh integration charge is similar to other integration charges in  
15 the region. However, the only two examples provided in the southeast region were TVA, which is  
16 self-regulated and not subject to any commission oversight, and Duke Energy, whose integration  
17 charge was the product of a settlement agreement. The Duke settlement also required subsequent  
18 independent review, which was only recently completed and will be litigated before this  
19 Commission in 2022. Notably, the Duke Energy settlement agreement approved by this

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<sup>4</sup> Direct Testimony of B. Horii, page 8.

Commission explicitly states that the settlement agreement “will not constitute a precedent or evidence of acceptable practice in future proceedings.”<sup>5</sup>

**Q. Do these other integration studies justify LEI’s view of DESC’s proposal?**

A. No. It is entirely inappropriate to recommend a specific \$/MWh VIC charge based upon these other studies. Other integration studies rely upon different methodologies and different system configurations. There is no easy way to generalize what the integration costs would be from one system to the next, and rough analogies are no substitute for fact-based system-specific analysis or actual real-world practice. In this case, DESC has in fact integrated almost 900MW of solar with little to no need for additional operating reserves and related integration costs.

**Q. Have you seen examples where a change in methodology or change in utility system has led to a significantly different VIC?**

A. Yes. For example, in 2018, Arizona Public Service contributed to an analysis of a 45-50% renewable energy by 2030 scenario conducted by the Arizona’s Residential Utility Consumers Office. At that time, APS provided its best estimate of the cost to integrate wind and solar resources at that level. Just two years later, APS conducted a new analysis of integration costs using an updated methodology as part of its 2020 Integrated Resource Planning (IRP) process, which included 45% renewable energy by 2030. The updated methodology in the 2020 IRP showed the variable integration costs for solar to be about a 95% less than its original estimate.

In the case of the peer utility that LEI and Mr. Horii referenced – Duke Energy – there is a significant difference between the VICs for the DEC and DEP systems, despite a similar methodology. Specifically, the DEC integration charge is \$1.10 while the DEP charge is

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<sup>5</sup> Duke Energy Partial Settlement Agreement in Docket Nos. 2019-185 and 186-E, Section B.5.(b) at P.6.

1 \$2.39/MWh – more than double the DEC VIC. Not only are these charges very different from  
2 each other, from a QF developer’s standpoint differences of this magnitude could have an outsized  
3 impacts that could mean the difference between a project being viable or not. In DESC’s case, due  
4 to its very low avoided costs for energy and capacity a proposed VIC of \$1.80/MWh could  
5 decrease the overall value of a QF PPA on the order of 6%, which is significant given the slim  
6 margins developers often already face. In fact, I believe this impact the VIC has on project viability  
7 – including the present interim VIC which is subject to increase – is one major reason why no QF  
8 projects have executed a PPA since 2019.

9 **Q. Do you believe that LEI could have conducted a thorough review of alternative VIC**  
10 **calculations presented in this proceeding?**

11 A. Yes. In fact, in my direct testimony I presented an alternative VIC charge based on the same  
12 VIC study that DESC relied upon, but with certain corrections, including the proper use of hourly  
13 weighting, a corrected Tranche cost allocation, and a correction for the solar forecast horizon. In  
14 addition to this, I also provided an analysis of DESC’s determination of need for a VIC that  
15 similarly relied upon DESC’s study but made adjustments to the estimated risk of solar shortfall  
16 and examined the role of geographic diversity and the Fairfield Pumped Hydro facility.  
17 Unfortunately, my analysis appears not to have been evaluated by either ORS or LEI. No  
18 explanation was provided for this lack of evaluation other than LEI’s assertion that its “mandate”  
19 did not encompass independent evaluation of the VIC.

20 **Q. LEI’s report states that the VIC (or VIC true-up) “is a small percentage of annual fuel**  
21 **costs.”<sup>6</sup> Do you agree?**

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<sup>6</sup> LEI page 55.

1 A. Yes. For example, if a VIC of \$0.73/MWh were set as fixed and a later study revealed that the  
2 VIC should actually have been \$1.80/MWh, then the total VIC under-collection for Tranche 1  
3 would be about \$1.4 million – or about 0.04% of DESC’s total annual revenue. To put this in  
4 perspective, this would equate to a rate impact to retail customers of about \$0.00006/kWh, or about  
5 \$0.06 in potential savings on a typical residential customer’s monthly bill.<sup>7</sup> Thus, the potential  
6 harm to DESC customers of setting the VIC too low (or benefit of setting it too high) is *de minimus*.  
7 Thus, while I am confident my recommendation of a VIC below DESC’s proposal is accurate, the  
8 Commission should take comfort in the fact that in adopting my recommendation there would be  
9 little at stake from a ratepayer perspective. By contrast, the impact of an inflated VIC on solar  
10 investment is large and can make the difference between a viable project and an unviable one. In  
11 considering the risks of setting the VIC too high or too low, it is important to keep the asymmetry  
12 of these impacts in mind in light of Act 62, which requires the Commission to consider multiple  
13 factors in these proceedings, including whether its decisions strive to reduce risk for the consuming  
14 public, are just and reasonable to ratepayers, are non-discriminatory to QFs, are consistent with  
15 PURPA, and are in the “public interest.”<sup>8</sup> Given that the General Assembly explicitly stated South  
16 Carolina’s aim “to promote the state’s policy of encouraging renewable energy” in the PURPA  
17 provisions of Act 62, I believe actions that unjustly deter QF project development – such as an  
18 unsupported and excessive VIC charge -- would be against South Carolina’s established public  
19 policy goals and therefore not in the public interest.

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<sup>7</sup> Assumes approximately 1000 kWh in monthly usage.

<sup>8</sup> S.C. Code § 58-41-20(A).

1 **Q. LEI also states that biggest impact of waiting to determine a fixed VIC is “on those**  
2 **considering developing a project in South Carolina”. Do you agree?**

3 A. Yes. The real risk at stake is setting an artificially inflated VIC that creates a barrier to  
4 competitive QF development and frustrates the intent of Act 62. That would continue to stymie  
5 the market for QF projects in DESC territory in contravention of Act 62, which explicitly mention  
6 the state’s policy of “encouraging renewable energy” in the PURPA provisions themselves.

7 **Q. Does this conclude your responsive testimony?**

8 A. Yes.